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ABSTRACT

This brochure contains suggestions for individuals repaying student loans on how they might benefit from Direct Loans, a program which consolidates multiple loans into a single account and offers favorable repayment terms, convenience, financial flexibility, and competitive interest rates. The brochure contains information on factors to be considered when deciding on loan consolidation: the interest rates for each loan; what one can afford to pay each month; how much one is willing to pay over the long term; how many payments are left on the loans; and what current lenders offer. Four repayment plans are described: (1) Standard (fixed payments over 10 years or less); (2) Extended (lower monthly payments over 12 to 30 years); (3) Graduated (payments rise gradually in two-year steps over 12 to 30 years); and (4) Income Contingent (payments linked to borrower's income for up to 25 years). The Direct Loan program's flexibility is stressed (repayment plans can be changed to fit individuals' developing careers), as is the program's "loan rehabilitation" option to deal with defaults. Four examples of how a Direct Loan can work are presented, along with lists of loans that are eligible or ineligible for consolidation. (MAH)

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William D. Ford Federal Direct Loan Program

HE

student loans driving you crazy?

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with

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because:

you can pay based on your income.

you'll have more repayment choices than ever before.

you can change your repayment plan at any time.

you get everything on one monthly statement.

you can qualify even if you're in default.

you can qualify even if you're still in school.

you can pay less each month.

Regardless of how many federal student loans you're repaying, you may benefit from consolidating them into a single account.

Any borrower with one or more FFEL or Direct student loans, including parents with PLUS Loans, can consolidate these loans into a Direct Loan account.* A consolidation loan combines favorable repayment terms, convenience, financial flexibility and competitive interest rates. By giving you the option to repay over a longer period of time, consolidation may cut your monthly payments substantially, although extending the years of repayment increases the total amount you will repay.

Interest rates for a Direct Consolidation Loan are variable and adjusted on July 1st of each year. The interest rate for student borrowers will never be higher than 8.25 percent; for parents with PLUS loans, never higher than 9 percent.

* If you don't have a Direct Loan now, you are required to check with a Federal Family Education Loan (FFEL) Program lender for information about consolidation programs and about setting up new repayment terms that are sensitive to your income.

  You must consolidate at least one loan made under the Direct Loan or FFEL Programs. See the back of this brochure for a complete list of eligible loans.

Before You Decide—Here are some factors you should consider when deciding if consolidation is right for you.

The interest rates for each loan—If a Direct Consolidation Loan offers you a lower rate than your current loans, you may want to consolidate. The interest rate is variable and may go up or down, but it cannot go higher than 8.25 percent for students or 9 percent for parents with PLUS Loans.

What you can afford to pay each month—If you are having trouble meeting your monthly payments, have exhausted your deferment and forbearance options, and want to avoid default, consolidation may help you ease the burden.

How much you're willing to pay over the long term—Like a home mortgage or a car loan, extending the years of repayment increases the total amount you have to repay.

How many payments you have left on your loans—If you are close to paying off your student loans, it may not be worth the effort to consolidate or further extend your payments.

What your current lenders offer—Check with the lenders currently holding your loans to see if they can offer terms and repayment plans that meet your needs better than a Direct Consolidation Loan can.

affordable

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you can pay based on your income.

Only Direct Loans offer an Income Contingent Repayment Plan designed to adjust automatically to fit your ability to pay; this is based on your income. (Note: This plan is not available for PLUS Loans.) This plan can give you the freedom to pursue your chosen career, even when that means accepting lower-paying employment of particular interest to you. Because payments will be proportionate to your income, the Income Contingent Repayment Plan can also meet the financial needs of entrepreneurs starting businesses.

The Income Contingent Repayment Plan is one of four payment plans listed on the next page. In consolidating your loans with a Direct Loan account, you can select the plan that best fits your financial needs now and change whenever your circumstances change. Although you pay more total interest over the life of the loan when you make lower monthly payments, you can switch at any time to a more rapid payment plan when you can afford to pay more.

"The Income Contingent Plan would allow me the flexibility to choose the career that I want. I won't have to worry if my salary will be enough to cover my loan payments; now my loan payments will automatically be geared to my income."

Michelle Morales, Student

you'll have more repayment choices than before.

Choose the repayment plan that is right for you.

Each individual's career plans and financial goals are different. But Direct Loans are designed to help you tailor a repayment plan that fits your financial situation. Although you accumulate more interest charges under options that offer lower monthly payments, you can change to a more rapi repayment plan or prepay without penalty whenever you're able to do so. The repayment plans include:

1. Standard Repayment Plan — fixed payments over a term of 10 years or less. The monthly payment is somewhat higher than the beginning payments of other plans, but it's the fastest way to repay a Direct Loan, with lower overall charges.

2. Extended Repayment Plan — lower monthly payments (than the 10-year plan) over a relatively long (12- to 30-year) term, depending upon the amount you owe. The longer term permits a smaller monthly payment.

3. Graduated Repayment Plan — payments that rise gradually in two-year steps over a fixed term of 12 to 30 years (depending on the amount you owe), so you can repay more as you earn more.

4. Income Contingent Repayment Plan — payments that are linked to the borrower's income; the term is up to 25 years. This unique plan is especially appropriate for persons interested in community service and other careers that may have low starting salaries.

Once you select your repayment plan, you can choose how you want to pay each month. Our Servicing Center can notify you of payments due by monthly statements, or you can request a coupon book.

choices

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flexible

you can change your plan at any time.

Choose a different repayment plan if your needs change.

Your life changes, and so can your finances. By consolidating with the Direct Loan Program, you can choose the right repayment plan now and then change your repayment plan to fit your developing career. With a Direct Loan, you can switch your repayment plan whenever your financial situation changes.

"When I graduate next semester, I'll need to consolidate my graduate and undergraduate loans. I have chosen a public service career, and the low salary will make it very difficult to make monthly payments unless I can pay smaller amounts in the beginning. With the Graduated Repayment Plan I can repay my loan without going broke. Then when my career gets going, I can choose a different plan and pay it off faster."

John Woods, EEOC Investigator

you get everything on one statement.

See all the information you need to take control of your loans.
When you consolidate your loans into a Direct Loan account, there is just one billing statement each month; a single Servicing Center instead of a complex network of private lenders and their servicers. Even applying is streamlined and hassle-free, with just one application to fill out and step-by-step assistance just a phone call away (1-800-557-7392).
That means:

Better control. With all your present student loans consolidated as a single loan account on one statement, with one balance and one monthly payment, keeping track of your loan status is easier—an aid in keeping your financial life under control.

Better service. If questions do arise about your loan account, or if you want to change your repayment plan—call just one phone number to reach the help you need.

"With a career in the arts, nothing is certain—least of all, your income. Budgeting and financial planning can be almost impossible. That's why I like the idea of being able to change my repayment plans with a Direct Consolidation Loan to fit the way my career is going. It's flexible like my work."

Tim Hussey, Actor/Illustrator

one

many

12

att:
students

consolidate while you're in school.

If you are attending school at least half time, have a Direct Loan or are attending a Direct Loan school and have at least one Direct Loan or Federal Family Education Loan (FFEL) in an "in-school" period, you are eligible for in-school consolidation, and it can make your life easier. You can benefit from Direct Loan Consolidation if you have not yet entered repayment on your student loans or you have entered repayment but have now returned to school.

There's just one number to call to change your address or student status, or request deferment forms. The variable interest rate will never exceed 8.25 percent and may be lower during in-school, grace and deferment periods. There is never a penalty for early payoff of your loan, and no minimum or maximum amount you must consolidate.

For more information about in-school consolidation, call 1-800-557-7392. See the back of this brochure for a list of loans you can consolidate while you are in school.

a word about default...

If you are in default, you may still consolidate your loans; however, your credit report will show a paid-in-full default entry. Consolidation will limit further collection costs and will allow you to pay off your defaulted loan with the lowest possible payment.

If you want to eliminate the default notation from your credit record, you may want to consider another option—what we call "loan rehabilitation." You can "rehabilitate" your loan(s) by making 12 consecutive payments to the lender(s) currently holding your defaulted loan(s). You need to contact them to determine a reasonable and affordable payment amount.

If you are in default and would like more information, call 1-800-621-3115.

credit

examples of how a Direct Loan can work for you

individual A income $25,000 debt $10,000 at 8.25%†

	first payment	max. payment	term in months	total amount repaid
standard	122.65	122.65	120	14,718
extended	97.01	97.01	180	17,463
graduated	70.07	158.86	180	19,085
income contingent*	109.62	109.62		15,785

individual B income $10,000 debt $3,500 at 8.25%†

			months	
standard	50.00	50.00	96	4,790
extended	50.00	50.00	96	4,790
graduated	25.00	63.58	144	6,037
income contingent	37.50	38.37	145	5,541

individual C

standard	613.26	613.26	120	73,592
extended	394.23	394.23	300	118,268
graduated	350.34	502.50	300	125,708
income contingent*	548.10	548.10	144	78,927

[illegible]al D income $30,000 debt $50,000 at 8.25%†

	first payment	max. payment	term in months	total amount repaid
standard	613.26	613.26	120	73,592
extended	394.23	394.23	300	118,268
gradu[illegible]	350.34	502.50	300	125,708
[illegible]gent*	345.00	548.10	207	99,898

†8.25% is the maximum interest rate for student borrowers.

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these loans are eligible for consolidation

- Auxiliary Loans to Assist Students (ALAS)
- Federal Consolidation Loans
- Federal Direct PLUS Consolidation Loans
- Federal Direct PLUS Loans (PLUS)
- Federal Direct Stafford Loans
- Federal Direct Subsidized Consolidation Loans
- Federal Direct Unsubsidized Consolidation Loans
- Federal Direct Unsubsidized Stafford Loans
- Federal Insured Student Loans (FISL)

  Federal Perkins Loans
- Federal PLUS Loans
- Federal Stafford Loans
- Federal Supplemental Loans for Students (SLS)
- Federal Unsubsidized Stafford Loans
- Guaranteed Student Loans (GSL)

  Health Education Assistance Loans (HEAL)

  Health Professions Student Loans (HPSL)

  Loans for Disadvantaged Students (LDS)

  National Defense Student Loans (NDSL)

  National Direct Student Loans (NDSL)

  Nursing Student Loans (NSL)
- Parent Loans for Undergraduate Students (PLUS)

• eligible for in-school consolidation

not eligible for Income Contingent Plan

Parent Loans for Undergraduate Students (PLUS)

Federal Direct PLUS Loans (PLUS)

Federal Direct PLUS Consolidation Loans

Federal PLUS Loans

U.S. Department of Education

1-800-557-7392 **http://www.ed.gov/offices/OPE/DirectLoan/**